

## Retirement Commissioner Counsels the Public Amidst Political Debate

5 June 2001

The Retirement Commissioner Colin Blair questions how much more consensus we should reasonably expect on superannuation and says there are four important points for the public to remember as our politicians again engage in debate about the future of New Zealand Superannuation.

"Firstly, New Zealand Superannuation represents one of the most simple and efficient approaches to a tax-funded retirement pension in the developed world.

"It achieves the objective of ensuring everyone in retirement has at least a basic level of income," says Mr Blair.

"It does that without the complexities, inefficiencies and compliance costs of many of the policies of other countries, which are often held up as models for us to consider."

Secondly, Mr Blair says as a country we have already accepted some hard decisions in order to bring the cost of New Zealand Superannuation down to a more manageable level.

The level of the pension payable to a couple (as a percentage of the average ordinary time wage after tax) has reduced from a peak of 89% in 1986 to around 65% today. The age of eligibility has been lifted from 60 in 1991 to 65 in 2001.

Mr Blair says those significant changes have now met with general acceptance and would be the envy of politicians in many countries struggling with very costly arrangements.

"Thirdly, political parties representing around 90% of voters in the last election have indicated their general support for retaining New Zealand Superannuation as the first tier of retirement income for New Zealanders.

"Those same parties also appear to be committed to a voluntary approach to private savings.

"Since we seem to have achieved a reasonable level of consensus on these two points, let's not reinvent the wheel." urges Mr Blair.

He also suggests that while there is some discussion about the desirability of tax incentives, that issue is not directly related to New Zealand Superannuation or the voluntary nature of private savings and he cautions against associating the issues with one another.

"Finally, there is, and should rightly be, a discussion about the longer term fiscal cost of providing New Zealand Superannuation to an increasing number of older people.

"That is a debate about the allocation of resources to different groups in the community and will, of necessity, involve consideration of some aspects of New Zealand Superannuation.

"The 1996 Periodic Report Group referred to a number of options for addressing that issue. These options could be applied without dismantling our well-entrenched tax-funded pension approach."

Mr Blair says it may be too much to expect political parties to reach full agreement on how to manage the future costs of New Zealand Superannuation.

"There are genuine philosophical differences involved," he says.

"Perhaps we need to accept that the detailed specifications of New Zealand Superannuation will change from time to time as the economy, political preferences and our society's views change."

However Mr Blair suggests there are two things that should not be compromised: firstly an emphasis on policies which enhance economic growth and the standard of living of all New Zealanders; and secondly a long transition period for the introduction of any future changes to the specifications of New Zealand Superannuation.

"In the meantime, those in or near retirement should be given reasonable assurances about their pensions; and those New Zealanders who have some ability to do so should make their personal decisions about saving, whatever pension will be provided through the tax system."

For a copy of the publication Retirement Income in New Zealand: the historical context, contact the Office of the Retirement Commissioner on 0-4-499 7396.

**For further information:**

Liz Read

Communications Manager

Office of the Retirement Commissioner

Tel: 0-4-499 7396